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## **Internal Revenue Code Section 181(g)**

Treatment of certain qualified film and television and live theatrical productions

(a) Election to treat costs as expenses.

(1) In general.

A taxpayer may elect to treat the cost of any qualified film or television production, and any qualified live theatrical production, as an expense which is not chargeable to capital account. Any cost so treated shall be allowed as a deduction.

(2) Dollar limitation.

(A) In general. Paragraph (1) shall not apply to so much of the aggregate cost of any qualified film or television production or any qualified live theatrical production as exceeds \$15,000,000.

(B) Higher dollar limitation for productions in certain areas. In the case of any qualified film or television production or any qualified live theatrical production the aggregate cost of which is significantly incurred in an area eligible for designation as-

(i) a low-income community under section 45D, or

(ii) a distressed county or isolated area of distress by the Delta Regional Authority established under section 2009aa-1 of title 7, United States Code,

subparagraph (A) shall be applied by substituting "\$20,000,000" for "\$15,000,000".

(b) No other deduction or amortization deduction allowable.

With respect to the basis of any qualified film or television production or any qualified live theatrical production to which an election is made under subsection (a), no other depreciation or amortization deduction shall be allowable.

(c) Election.

(1) In general.

An election under this section with respect to any qualified film or television production or any qualified live theatrical production shall be made in such manner as prescribed by the Secretary and by the due date (including extensions) for filing the taxpayer's return of tax under this chapter for the taxable year in which costs of the production are first incurred.

(2) Revocation of election.

Any election made under this section may not be revoked without the consent of the Secretary.

(d) Qualified film or television production.

For purposes of this section-

(1) In general.

The term "qualified film or television production" means any production described in paragraph (2) if 75 percent of the total compensation of the production is qualified compensation.

(2) Production.

(A) In general. A production is described in this paragraph if such production is property described in section 168(f)(3).

(B) Special rules for television series. In the case of a television series-

(i) each episode of such series shall be treated as a separate production, and

(ii) only the first 44 episodes of such series shall be taken into account.

(C) Exception. A production is not described in this paragraph if records are required under section 2257 of title 18, United States Code, to be maintained with respect to any performer in such production.

(3) Qualified compensation.

For purposes of paragraph (1)-

(A) In general. The term "qualified compensation" means compensation for services performed in the United States by actors, production personnel, directors, and producers.

(B) Participations and residuals excluded. The term "compensation" does not include participations and residuals (as defined in section 167(g)(7)(B)).

(e) Qualified live theatrical production.

For purposes of this section-

(1) In general.

The term "qualified live theatrical production" means any production described in paragraph (2) if 75 percent of the total compensation of the production is qualified compensation (as defined in subsection (d)(3)).

(2) Production.

(A) In general. A production is described in this paragraph if such production is a live staged production of a play (with or without music) which is derived from a written book or script and is produced or presented by a taxable entity in any venue which has an audience capacity of not more than 3,000 or a series of venues the majority of which have an audience capacity of not more than 3,000.

(B) Touring companies, etc. In the case of multiple live staged productions-

(i) for which the election under this section would be allowable to the same taxpayer, and

(ii) which are-

(I) separate phases of a production, or

(II) separate simultaneous stagings of the same production in different geographical locations (not including multiple performance locations of any one touring production),

each such live staged production shall be treated as a separate production.

(C) Phase. For purposes of subparagraph (B), the term "phase" with respect to any qualified live theatrical production refers to each of the following, but only if each of the following is treated by the taxpayer as a separate activity for all purposes of this title:

(i) The initial staging of a live theatrical production.

(ii) Subsequent additional stagings or touring of such production which are produced by the same producer as the initial staging.

(D) Seasonal productions.

(i) In general. In the case of a live staged production not described in subparagraph (B) which is produced or presented by a taxable entity for not more than 10 weeks of the taxable year, subparagraph (A) shall be applied by substituting "6,500" for "3,000".

(ii) Short taxable years. For purposes of clause (i), in the case of any taxable year of less than 12 months, the number of weeks for which a production is produced or presented shall be annualized by multiplying the number of weeks the production is produced or presented during such taxable year by 12 and dividing the result by the number of months in such taxable year.

(E) Exception. A production is not described in this paragraph if such production includes or consists of any performance of conduct described in section 2257(h)(1) of title 18, United States Code.

(f) Application of certain other rules.

For purposes of this section, rules similar to the rules of subsections (b)(2) and (c)(4) of section 194 shall apply.

(g) Termination.

This section shall not apply to qualified film and television productions or qualified live theatrical productions commencing after December 31, 2025.

